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SUBJECT: 2005 ANNUAL TERRORISM REPORT

REF: STATE 193439

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1. (SBU) Summary: Panama continues to be a strong partner with the U.S. in the global war on terrorism. The Panama Canal is the country's most important economic asset. Any act of terrorism that closes off the Canal could severely impact Panama's economy, the U.S., and other countries in the region that rely heavily on the Canal for commerce. Panama's Public Forces (PPF) closely monitor the Revolutionary Armed Forces of Colombia (FARC) and United Self-Defense Forces of Colombia's (AUC) activities in the Darien Province, on the Colombian border. The Government of Panama (GOP) has undertaken a review of the structure of the PPF and conducts exercises to ensure its ability to protect the Canal and residents of Panama against a possible terrorist act. End summary.

2. (SBU) SUPPORT IN INTERNATIONAL FORA:

The GOP signed and ratified all twelve international counterterrorism conventions passed after September 11, 2001. The GOP fully supports the Inter-American Convention Against Terrorism. Panama was also one of the first countries to join the Coalition of the Willing.

3. (SBU) SUPPORT TO THE U.S. WAR ON TERRORISM:

On May 12, 2004 Panama signed the Proliferation Security Initiative (PSI) which allows U.S. forces to board Panamanian flagged vessels suspected of carrying weapons of mass destruction. Panama maintains the world's largest ship registry, making PSI an important tool in countering terrorism. The United States and Panama are discussing information exchanges on various security issues.

Panama provides enhanced force protection for U.S. military vessels, including submarines, during "high value transits" (HVT) of the Canal. USG officials have praised the GOP's level of support and security for HVTs. In 2005, the PPF also supplied enhanced security for 80 ships carrying nuclear waste or nuclear cargo through the Canal. During the recent visit to Panama by President Bush, the GOP permitted a sizable U.S. military presence to counter the possibility of a terrorist act.

4. (SBU) SUPPORT TO INTERNATIONAL TERRORISM

Panama has not/not made any public statements in support of a terrorist-supporting country on a terrorism issue. The GOP has not/not provided any support to international terrorism, terrorists, or terrorist groups. On the contrary, the GOP has spoken out against terrorism in many international forums and has signed or ratified all applicable international agreements concerning counterterrorism. Panama currently has no recognized domestic terrorism organizations and no known terrorist activities occurred in Panama during 2005.

5. (SBU) TERRORIST ACTIVITIES IN BORDER REGIONS

Panama's remote border region with Colombia, the Darien province, has been used in the past as a rest and recreation point for the Revolutionary Armed Forces of Colombia (FARC). In January 2003, AUC narcoterrorists killed four Panamanian citizens in the village of Paya. Following this tragic incident, Panama increased its border security in the Darien. Panama has no army, however, the Panamanian National Police (PNP) with U.S. training and assistance established a permanent presence along the border with Colombia to prevent narcoterrorist operations. In June 2003, Panama signed a border security cooperation agreement (Comision Binacional Fronteriza or COMBIFRON) with Colombia. COMBIFRON provides a framework for sharing cross-border security information and encourages security-force cooperation on insurgent, drug, and illegal migrant issues. Currently Panama is reviewing its security apparatus and is discussing the creation of a dedicated border patrol force. The proposed Border Patrol Force will be a separate service from the PNP and have its own director and staff officers. Panama believes a dedicated Border Patrol Force will result in higher professionalism as well as improved security on the borders with Colombia and

Costa Rica. The PNP in turn will dedicate more of its efforts to traditional police functions instead of rotating part of its force to the border to conduct paramilitary operations every 30 days.

16. (SBU) GOVERNMENT COOPERATION

Panama remains as a transshipment point for arms, drugs, and smuggling of illegal aliens due to its highly developed commercial transport sector and shared border with Colombia. Colombia is home to the FARC and AUC, both designated as terrorist organizations by the State Department. The GOP continues to closely monitor FARC activities in the Darien. Panama's National Maritime Service (SMN) works closely with the U.S. Coast Guard (USCG) in the Prisoner Transfer program.

This program transfers mostly narcotraffickers, whose revenues support the FARC and the AUC, to U.S. custody for prosecution. Panamanian law enforcement authorities have also worked jointly with the U.S. Drug Enforcement Administration (DEA) to seize over 12 metric tons of cocaine, approximately 140 AK-47 rifles with magazines, and 36 other assorted weapons. The PNP also transferred 85 prisoners to DEA for prosecution in the United States as a result of these operations, known as renditions.

As part of a review of its security apparatus, the Panamanian Public Forces (PPF), the GOP is conducting joint training operations between the National Maritime Service (SMN), National Air Service (SAN), and the PNP on how to prevent a terrorist attack on the Panama Canal. The Ministry of Government and Justice (MOGJ) uses classroom training, table-top exercises, and field visits to improve coordination between the PPF agencies. Panama is also the sponsor and host of PANAMAX, an annual multinational exercise that simulates the defense of the Canal. The 2005 exercise scenario dealt with a planned terrorist attack on the Canal and 15 nations, including the U.S., participated.

The Colon Free Trade Zone is the second largest in the world and over 1800 companies operate there, importing and re-exporting goods from around the world, including the Middle East. Due to its 20% unemployment rate, high level of poverty, and its use by drug smugglers, the adjacent town of Colon has a critical crime rate. The GOP is concerned about the possibility of terrorist groups exploiting Colon's poverty and drug smuggling routes to further their goals. In July 2005, President Torrijos announced a \$24 million infrastructure development project for Colon to attack the root causes of Colon's problems and reduce the possibility of terrorist groups operating from Colon.

Panama's Foreign Ministry, Council for Public Security and National Defense, Financial Analysis Unit, and the Superintendent of Banks are fully cooperative in reviewing terrorism finance lists. In 2005, no terrorist assets were discovered. The Panamanian legislature passed new legislation restricting possession of precursor chemicals and toughened laws on money laundering.

Panama has not made any arrests, trials, or convictions of terrorists in 2005. The GOP did not extradite or request extradition of any suspected terrorist to or from other countries during 2005. The U.S. did not request Panama to extradite any suspected terrorists in 2005. Article 24 of the Panamanian Constitution prohibits the extradition of Panamanian nationals for any reason and of foreign nationals for political crimes. Also, the GOP will not extradite anyone for a crime punishable by death, unless the requesting country provides formal assurance that the individual will not receive a penalty greater than Panama's maximum sentence (for any crime) of 20 years imprisonment.

Panama remains a low-threat post for indigenous terrorism and has recently been downgraded from "high" to "medium" on the State Department's Security Environmental Threat List (SETL) for transnational terrorism. The GOP maintains a high level of cooperation in the war on terrorism.

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